



STABLER

WEALTH MANAGEMENT

# Optimize Your Microsoft RSU Stock Awards: Key Strategies & Reminders

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The end of August brings cooler weather, football, pumpkin spice lattes, and most importantly for Microsoft professionals – the August RSU Stock award vests! At Stabler Wealth Management, our mission is to empower you to achieve financial independence. Optimizing your RSUs is instrumental in this journey, and with August's vesting, it's the perfect time to strategize.

## Understanding the RSU Landscape

RSU stock awards form a vital part of your compensation and how they are managed can make or break your journey to financial independence. Whether used as a cash bonus, kept in Microsoft stock, or diversified, your choice can lead to very different financial outcomes for you and your family.

RSUs are awarded both at hiring and as part of your ongoing yearly compensation. These stock units vest over four to five years. Upon vesting, their worth is determined by multiplying the number of shares by the current share price. This vested value is taxed as ordinary income, irrespective of whether you decide to sell the shares or not.

Vested RSUs are like receiving a cash bonus. Selling your vested shares doesn't bear additional tax implications versus holding them. By keeping your RSUs invested in Microsoft stock it is the equivalent of taking a cash bonus and choosing to buy Microsoft stock with all of it. It's reasonable to maintain some Microsoft stock within your investment portfolio, but it's important to be intentional on the desired amount and where to hold it. As we saw from the period of 2000 to 2013 when Microsoft stock fell by more than 40%, even the top companies are vulnerable to company specific risk and as employees of the company you already have plenty of skin in the game.

## What should I do with my August RSUs?

Always evaluate RSUs in the context of your broader financial picture. We advocate treating newly vested stock as cash bonuses, especially since retaining them offers no additional tax benefits. From there you can determine how much is to be used for lifestyle spending and how much is to be reinvested in a diversified investment mix.

Microsoft presents excellent reinvestment vehicles, such as the 401k, Health Savings Account, and ESPP, that can provide tax savings or additional company contributions.

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It's okay to spend some of your RSUs, but intentionality is key. We regularly review our clients' financial roadmap, ensuring a balance between their present desires and future objectives.

## Avoiding Tax Surprises

RSU tax considerations are crucial. Microsoft's standard 22% tax withholding often falls short for many employees. We provide an annual tax projection for our Microsoft clients, ensuring optimal tax payments. If you are behind on your tax payments this year, remember, there's still time to make estimated tax payments. By paying at least 110% of your 2023 total taxes throughout the year, you can bypass underpayment penalties. The final deadline for 2023 estimated tax payments is January 15th, 2024.

For those in a higher tax bracket, consider strategies to reduce your taxable income like reinvesting in your Traditional 401(k) or the Microsoft Deferred Compensation Plan (level 67 and above). Also, utilizing charitable vehicles, like Donor Advised Funds, can be advantageous during high-earning years. We do want to make note that the current Federal Tax brackets are favorable, and you may be better off biting the bullet at the current tax rates.

## The '55 and 15' Rule and Its Impact

Microsoft's '55 and 15' provision can be pivotal for those nearing work optionality. If you're 55 with 15 consecutive years at Microsoft, your unvested stocks will continue to vest even after your departure. Given the multi-year vesting structure, this provision can significantly shape your financial future. Thus, strategizing your departure timing as part of your financial plan is integral.

At Stabler Wealth Management, we specialize in guiding you through these essential decisions. With August's awards freshly vested, this is a great opportunity to finetune your RSU strategy. Reach out and we can map your course to expedited work optionality.

**Contact Us:** [team@stablerwm.com](mailto:team@stablerwm.com) | (425) 646-6327

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